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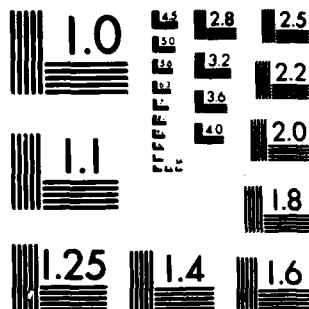
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**APPRAISAL AND MERIT PAY SYSTEMS FOR
AIR FORCE CIVILIAN GENERAL MANAGERS**

By

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May 1983

Interim Report for Period April 1979-July 1980

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RONALD W. TERRY, Colonel, USAF
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<p>1. This report discusses the development of the General Manager appraisal and merit pay systems which were operationally implemented by the Air Force effective 1 October 1980. The appraisal form used in the system and the computational process used to determine merit pay increases are presented. The system provides for employee work plans comprised of job performance elements and written standards. The job performance elements are evaluated at the close of a rating period as being Met, Not Met, or Exceeded. A 5-point overall performance rating scale of Superior, Excellent, Fully Successful, Minimally Acceptable, or Unacceptable, used to determine an employee's performance rating, is objectively derived from the job requirements evaluation.</p>		

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This is a Special Report prepared for the Director of Civilian Personnel (AF/MPK) in response to RPR 76-40. Supervisory Appraisal System for Air Force Civilian Employees.

EXECUTIVE SUMMARY

Requirement

The Air Force Human Resources Laboratory was tasked to develop a system that could be used to provide an objective appraisal of civilian job performance. This work was in response to Request for Personnel Research (RPR) 76-40 entitled Supervisory Appraisal System for Air Force Employees as revised to meet the requirements of the Civil Service Reform Act (CSRA) of 1978 (Public Law 95-454). The CSRA required the development and implementation of both a job performance appraisal system and a merit pay system for General Schedule (GS) employees in grades 13 through 15 who are managers or supervisors (General Managers).

System Description

The Air Force General Manager Appraisal System requires the preparation of written job performance elements and performance standards for each employee prior to the start of the appraisal period. These elements and standards comprise the employee's work plan. The elements are assigned relative weights that must sum to a total of 100 points. Elements are further identified as either critical or noncritical with at least 51% of the relative weights assigned to critical elements. At least one standard is written for each element to define how the element is to be performed. Each standard is written at a satisfactory performance level. Employee performance is evaluated on each job element at the end of the appraisal period by the supervisor as having Exceeded, Met, or Not Met the standards. The overall performance rating rendered is derived directly from the job performance element evaluations and is in no way based on a supervisor's subjective evaluation of the employee's overall performance. The five overall performance ratings which can be given are Superior, Excellent, Fully Successful, Minimally Acceptable, or Unacceptable.

The basis of the Merit Pay System lies in the overall performance ratings assigned to employees covered by the General Manager Appraisal System. A Merit Pay Fund is established, consisting of the money that normally would have been awarded to the General Managers for quality step increases and within grade increases, plus one-half of the annual comparability increase authorized. The CSRA guarantees every employee in the General Manager (GM) category one-half of the annual comparability increase prior to being considered for merit pay. In addition, a performance rating of Fully Successful or higher entitles a GM to receive a merit pay increase. However, employees rated Minimally Acceptable or lower are not eligible for merit pay and may be recommended for training, reassignment, reduction in grade or pay, or even removal. The ratings of Fully Successful or higher equate to merit pay share points for each affected grade level within a Merit Pay Unit (MPU).

Establishment of an MPU is dependent on the number of GM employees in a specific organization. Based on simulation runs of MPUs of varying size, it was decided that a minimum of 35 GM employees is required to designate an organization as an MPU in order to minimize aberrant fluctuations in the merit pay calculations. After the number of total merit pay share points has been determined for all GM employees in the MPU, the total merit pay share points for employees within an MPU is divided into the merit pay share to produce the dollar amount of each share point. Employee merit pay share points are then multiplied by the dollar value to arrive at the merit pay increase for each GM employee.

Recommendations

The Merit Pay and General Manager Appraisal Systems should be continually monitored to maintain or improve their viability, acceptability, and credibility. Further, it is also essential that the training for the General Manager Appraisal System be updated as necessary and that all individuals designated as GM employees and their supervisors receive the training.

If it becomes necessary to modify or revise the General Manager Appraisal System and the Merit Pay System due to lack of acceptance or credibility, it is strongly suggested that review boards be reconsidered as an alternative for distributing pay based on relative merit.

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APPRAISAL AND MERIT PAY SYSTEMS FOR AIR FORCE CIVILIAN GENERAL MANAGERS

I. INTRODUCTION

As a result of the Civil Service Reform Act (CSRA) of 1978, Federal agencies were directed to implement new job performance appraisal systems for their employees. One aspect of the appraisal system for all agencies was the development of a Merit Pay System for management officials or supervisors in General Schedule (GS) grades 13 to 15. These GS-13 to GS-15 employees are to be redesignated as General Managers (GMs) 13 to 15 and are to fall under the Merit Pay System.

The Air Force Human Resources Laboratory (AFHRL) was tasked by the Directorate of Civilian Personnel (AF/MPK) under RPR 76-40 to develop a merit pay and performance appraisal system for GMs. This research program was started in March 1979. The development of the GM system was constrained by the CSRA requirements, as well as by Office of Personnel Management (OPM) and Department of Defense (DOD) requirements; consequently, many of the developmental decisions made by the AFHRL research team and representatives of the personnel community were based on practical, rather than research, considerations.

This report discusses the development of the Air Force system for distributing merit pay. The appraisal process that provides the ratings used in determining merit pay increases for GM employees is only briefly covered.

A GS-13, GS-14, or GS-15 employee is designated a management official or supervisor (i.e., a GM) when the employee meets the definitions and interpretations appearing in 5 USC 7103 (Title VII of CSRA), the Federal Labor Relations Authority (FLRA) case law, or in the Supervisory Grade Evaluation Guideline (SGEG). Determinations for inclusion as a GM require an examination of actual duties and responsibilities assigned to the employee rather than job titles or written job descriptions alone. These determinations must also coincide with precedents and practices established in conjunction with bargaining unit exclusion determinations.

Merit pay is a type of award system that may encompass many different approaches to performance appraisal but uses the basic concept that employees are recognized and rewarded according to the quality of their performance and not primarily on their longevity in the job.

There would seem to be advantages and disadvantages in any merit pay system. The advantages in most systems include participation by both employee and supervisor in the appraisal process, motivation to improve performance, clearly stated performance objectives, and the possibility of increased productivity. Employee participation in the development of a pay plan has more impact on job effectiveness than does the plan itself because employees become committed to the success of the plan and tend to be more satisfied with their merit pay system (Lawler & Hackman, 1969). When dissatisfaction occurs, it is often due to ineffective pay for the high performer (Greene, 1973). Some of the disadvantages of merit pay systems are excessive employee competition, a tendency to set less difficult standards, high training costs, and the emphasis on individual performance in the exclusion of team performance (Beer & Gerry, 1974; Hayes, Spector, & Fair, 1979; Kuffel & Murray, 1978; Meyer, 1975).

Although the idea of this type of merit pay is a new one to the Federal government, it has already been implemented in many different private companies and other public organizations. One civilian plan uses an accountability management system, a results-oriented approach, that emphasizes supervisor/subordinate cooperation (Judd, 1972). A Pay-for-Performance program in another organization established a system that pays salaries based on individual job performance (Cowan, 1978). This plan resulted in high employee morale, decreased employee turnover, increased communication, and a value system based on the need for performance measurement and reward systems.

II. GENERAL MANAGER APPRAISAL AND MERIT PAY SYSTEMS IN THE AIR FORCE

The General Manager Appraisal System (GMAS) is a subsystem of the overall civilian performance appraisal system.

GMAS is unique in that (a) it applies to the special group of supervisors, managers, and management officials (GMs) covered by AFR 40-510, Merit Pay System and Cash Awards Program, and (b) performance ratings received under the GMAS will be the major factor in determining how much merit pay a GM receives. Although a full discussion of the development of the performance appraisal system used in GMAS will be published as a separate report (Job Performance Appraisal System-JPAS), a limited amount of information about the performance appraisal system is provided here in order to understand the relationship of the Merit Pay System and GMAS.

The GMAS is an essential component of the Air Force Merit Pay System and was developed to conform to the requirements of the CSRA, the Office of Personnel Management (OPM), and the Department of Defense (DOD). The appraisal system provides for (a) encouraging employee participation in establishing performance standards, (b) advising employees of the critical elements of their jobs, and (c) periodic appraisal of job performance.

The GMAS has three components: a work plan, interim performance reviews, and an annual performance rating. The work plan is prepared by the supervisor of the GM employee. Although the employee is not required to participate in the work plan development, the supervisor is encouraged to allow the employee to participate. Interim performance reviews must be held periodically, at the discretion of the supervisor, and a performance appraisal rating must be rendered yearly. The overall performance rating determines whether a merit pay increase will be awarded. One-half of the annual comparability increase is guaranteed to all GMs, but these employees must receive an overall performance rating of Fully Successful or higher to also receive a merit pay increase. The overall performance rating, in addition to qualifying an individual for merit pay, may also be used as a basis for promoting, reassigning, reducing in grade, removing, retaining, rewarding, and training.

All money available for merit pay is held in the Merit Pay Fund. This fund contains (a) the money that would have been paid out to GMs during the next fiscal year for within-grade increases had the employees not been under a merit pay system, (b) the money that would have been paid out during the next fiscal year for quality step increases, and (c) the second half of the annual comparability increase for GM employees. Each year, OPM will develop a factor table based on these three components to determine the Merit Pay Fund for each agency.

The Air Force awards merit pay to GM employees through Merit Pay Units (MPUs) that have been established through the Major Commands and Separate Operating Units. Each MPU has a fund that is a share of the Merit Pay Fund based on the number and grade levels of the GMs in the unit.

A Merit Pay Unit Official (MPUO) is appointed for each MPU by the Major Command that has jurisdiction over the MPU. One of the primary responsibilities of the MPUO is to ensure the credibility and integrity of the Merit Pay System. Other functions include (a) ensuring completion of work plans for employees of the MPU, (b) ensuring timely submission of overall performance ratings for the employees of the MPU, (c) ensuring accurately derived overall performance ratings, (d) reviewing all employee appraisals within the MPU, (e) ensuring consistency and regulatory compliance in the distribution of merit pay, (f) certifying the accuracy of merit pay determinations, (g) maintaining records and recommending changes as appropriate within the Merit Pay System, and (h) convening a Merit Pay Advisory Committee to assist in carrying out the responsibilities of the office (this is discretionary on the part of the MPUO). The MPUO may not be a GM employee within the MPU over which responsibility is exercised.

Three models were developed by AFHRL for the Merit Pay System prior to receiving final acceptance and approval of Model 3 by OPM and DOD. Each of the models is discussed separately, outlining the advantages and disadvantages as evaluated by AFHRL.

III. DESIGN AND DEVELOPMENT OF MODEL I

Work Plan

The first step in the development of Model I was to establish the procedures for the development of a work plan. This development required that the supervisor perform a job analysis to determine what the employee did on the job.

The job analysis included review of the position description, input from the employee, and review of any other information available on the nature of the job (e.g., organizational and unit mission statements and projected work requirements). Once the job had been analyzed, a work plan was formulated. Although the preparation of a work plan is primarily the responsibility of the supervisor, employee participation in plan development is encouraged. The two major parts of the work plan were elements that defined the major job requirements and standards that established specific parameters describing how each job element was to be performed.

In order to prevent employees in similar jobs from having very different elements and standards and to provide a standardized format to facilitate comparisons across work plans, it was decided that a position would be described by a small number of functional categories. A functional category is a broad area of job performance which may encompass many job elements. To determine the number of functional categories which would be required to cover the majority of jobs, 25 functions taken from managerial/supervisory job descriptions were compiled into a list (Cragun & McCormick, 1967; Dictionary of Occupational Titles, 1965; Morah & Archer, 1967). These functions were then presented to 228 personnel (GS-13 to GS-15 levels) who were requested to rank order these functions in order of their importance to their particular job. A more detailed description of the ranking procedure is contained in Appendix A. From the results of this ranking, the areas of administration, communication, evaluation, planning, and reviewing emerged for use in the proposed appraisal form for Model 1. A sixth functional category, technical applications, was added to provide a means for supervisors and managers to indicate non-supervisory or non-managerial work efforts.

Each functional category selected by the GM or his/her supervisor for use in the work plan was to be assigned a percentage to indicate the relative importance of the function to the job being described. It was not mandatory to use all functions. The percentage weight assigned to each function was a whole number that would range from 1 to 100. The total of all the weights of the functional categories had to sum to 100%. The weights were determined by considering time, complexity, and importance of the functional category to the mission of the organization. The percentage weight for each function was also to be used in the computation of a function score to be used in the merit pay scoring process (i.e., each function rating was multiplied by the function weight).

Each functional category was then designated as critical or noncritical. A critical category contained at least one job element that was a component of the job of sufficient importance that performance below the minimum standard established by management required remedial action. For example, management might deny a merit pay increase, remove the employee, or reduce the employee's grade level. At least one functional category had to be designated as critical. Since there might be several elements under one functional category, the entire function was marked critical if any one of its elements were designated as critical. If none of the elements in the function were considered critical, the function was marked noncritical.

Job performance standards were written for every element in a function. Each function had at least one standard. However, the objective was to write as many standards as necessary to define the satisfactory level of performance. Satisfactory performance was defined such that the work effort expended was at neither a higher nor lower level than normally expected from a majority of personnel in a similar position. Performance standards established for each element or function had to be measurable, observable, and attainable. That is, the rating official must be able to observe the action or results to be able to measure (rate) what has been accomplished. Also, the employee must actually have the opportunity of working at the level specified, or at a higher level.

In the third and eighth months during the normal rating period, the supervisor was required to schedule official interim performance reviews with the employee. These reviews would provide an opportunity to make changes in the work plan, to discuss the employee's performance, and to permit action to be taken if improvement in performance were needed. A record of the review was to be retained on a designated AF form.

Performance Ratings

The annual overall performance ratings were to be used to qualify GM employees for merit pay and to initiate other personnel actions. The overall performance ratings and function ratings are operationally defined in Tables 1 and 2. An example of the proposed appraisal form for Model 1 is shown in Appendix B. The five overall performance ratings

proposed for Model I were Superior, Exceptional, Fully Successful, Acceptable, and Unacceptable. Each separate function was to be rated as Superior, Exceptional, Fully Successful, Marginally Acceptable, or Unacceptable. Up to six separate function ratings were to be considered in the determination of the overall rating. Spaces were provided on both the standards sheet and the rating sheet of the appraisal form to record the function rating. If a function were not used because it did not apply to the employee's job, an NP for "Not Performed" was to be entered in the spaces. The supervisor was to consider all the function ratings to derive a fair overall performance rating.

Table 1. Overall Performance Rating Scale - Model 1

<i>Rating</i>	<i>Definition</i>
<i>Superior</i>	Performance in which the employee consistently performs in a manner which substantially exceeds established performance standards. The employee should demonstrate Superior performance in all critical functions of the position and no performance function may be rated less than Fully Successful.
<i>Exceptional</i>	Performance in which the employee consistently performs in a manner which exceeds established performance standards. All functions should be rated Fully Successful or higher and most critical functions should be rated at least exceptional.
<i>Fully Successful</i>	Performance in which the employee consistently performs in a manner which meets established performance standards. Critical functions must be rated higher than Unacceptable.
<i>Acceptable</i>	Performance which is Acceptable but is less than Fully Successful. No critical functions of the position are rated Unacceptable.
<i>Unacceptable</i>	Performance of an employee which fails to meet established performance standards in one or more critical elements (functions) of the employee's position.

Table 2. Individual Function Rating Scale - Model 1

Rating	Definition
Superior	Performance on a function of the job which clearly demonstrates a level of achievement which substantially exceeds the performance standard.
Exceptional	Performance on a function of the job which exceeds the performance standard.
Fully Successful	Performance on a function of the job which fully meets the performance standards.
Marginally Acceptable	Performance on a function of the job which does not meet the performance standards but the deficiency is not so serious as to be considered Unacceptable.
Unacceptable	Performance on a function of the job which clearly demonstrates a substantial failure to meet the performance standard. This would represent a serious deficiency.

The overall performance rating was designed to allow the supervisor to take into account the individual function ratings. If any critical function were performed in an unacceptable manner, the highest allowable overall rating was Unacceptable. An overall Unacceptable rating, in addition to disqualifying the employee from consideration for a merit pay increase, could result in reduction in grade, retraining, reassignment, removal, or other management action. An overall rating of Acceptable meant that the employee could be retained but could not be recommended for a merit pay increase for that rating period. If either an Unacceptable or Superior rating were given, the supervisor would have had to furnish written, objective justification on the form for the specific sections in the work plan where the employee performed above or below the specified level. If the overall performance rating were Fully Successful or higher, the supervisor would indicate on the form whether merit pay was or was not recommended. Therefore, the initial prototype did provide for the possibility that an employee rated Fully Successful or higher would not be recommended for a merit pay increase. Further research was planned to investigate the viability and acceptability of this concept. Since this form was designed for use for GS-13 through GS-15 employees as well as for GMs, the merit pay recommendation block labeled Not Applicable would be checked for the GS employees since they are not eligible for merit pay.

The rating official, the reviewing official, and the employee would sign the form; space was provided for each to make additional comments, if desired. The reviewing official's block included a place to indicate concurrence or nonconcurrence with the appraisal and the reasons for agreement or disagreement. The employee's signature would acknowledge receipt and discussion of the appraisal; it would not indicate concurrence with the assigned ratings. The appraisal forms would then be forwarded to the Central Civilian Personnel Office (CCPO).

Merit Pay Process

For the most equitable distribution of merit pay to GM employees, the concept of a Merit Pay Review Board (MPRB) was proposed. The AFHRL research team proposed that some type of review board or committee was necessary to reward

performance. To meet the CSRA requirements, the appraisal system provides for highly individualized work plans. Therefore the MPRB would serve the function of reviewing all aspects of an employee's performance from proposed standards and actual achievements. This procedure was considered significantly more appropriate than awarding merit pay based on a single performance score.

The MPRB was also deemed appropriate because of the format of the merit pay system required by the CSRA. Although the law requires individualized standards, it also requires that money be taken from the less productive employee and given to the more productive one. The latter requirement necessitates a reasonable comparison of employees based on performance. The MPRB would meet this need. An MPRB, composed of as many panels as required, would be established at the Major Command level to reflect appropriate minority, civilian, military, and organizational representation. Panels, composed of at least three members, would be selected on the basis of each member being at a higher grade level than the candidates for merit pay.

The MPRB's primary responsibilities would be (a) to rate the work plans and individual performance using a set of predefined criteria and (b) to determine the order of merit based on performance of GM employees. The use of such a board would help to minimize personal bias in awarding merit pay, determine an order of merit based on performance and board assessment, and ensure management participation in the final determination of merit pay.

The first step in the merit pay process was for the CCPO to forward all appraisal forms for GMs with overall ratings of Fully Successful or higher to the appropriate MPRB. Anyone rated below Fully Successful would not be eligible for merit pay; therefore, their appraisals would not be considered by the board.

The MPRB would meet at the discretion of the convening authority to consider all candidates for merit pay increases. Merit pay selection folders would be sorted by job family as broadly defined by Civilian Personnel Regulations. Each panel member was to review the employee's folder within the limits of specified job families (all candidates within one job family were to be considered by the same panel) using a set of specified criteria to determine a merit pay score.

A preliminary research effort was conducted to delineate criteria for the board to use which would ensure that GM employees would be rewarded on the basis of job performance. The provisional criteria were developed to assess various dimensions of difficulty, importance, decision risk, and impact of the job elements and standards.

The amount of merit pay increase awarded to each GM employee would depend on the relative place of the candidate's merit pay score in the overall ranking of scores made by the board.

Based on the distribution of scores of candidates made by the board, scores would be grouped into three categories--upper, middle, and lower. All GM employees who received an overall performance rating of Fully Successful would have received, as a minimum, a merit pay increase equal to the remaining half of the comparability pay increase because their rating indicated that they had performed at or above the expected level. After the initial determination of the merit pay scores and the cut points for the upper, middle, and lower groups, the merit pay list was to be sent to the Major Command Commanders for review.

The actual merit pay was to be distributed as a percentage of the midpoint salary for a specified grade. A percentage of the midpoint salary (to be determined by AF policy) for all GM-13 employees would have been given to all GM-13s who were in the upper group, another percentage of the same midpoint would have been given to all who were in the middle group, and still another percentage of that midpoint would be given to all who were in the lower group. This same procedure would have been followed for all GM-14 employees and then for all GM-15 employees. When all computations had been completed, and merit pay had been assigned to the appropriate individuals, the chairperson of the MPRB was to certify that the board's decision was the official merit pay determination. Since the concept of using a board to rank GM employees who were qualified for consideration of merit pay was proposed by AFHRL, a mock board was established to determine the feasibility of the concept.

The results of the mock board indicated that a board could effectively differentiate between individuals on the basis of performance (see Appendix C). However, the exercise also indicated that further research in the development of more usable and relevant criteria was required.

AFHRL Evaluation of Model 1

Based on previous research experience with evaluation systems and results of preliminary investigations, the AFHRL task force believed that Model 1 presented the most reasonable method for rewarding the best performers, increasing productivity, and minimizing rater inflation.

Three basic concepts were inherent in Model 1: (a) all employees rated Fully Successful or higher would receive, as a minimum, the second half of comparability as a merit pay increase, (b) the better performers would be rewarded instead of the individuals with the easiest standards, and (c) a board, which reviewed the individual's job standards and accomplishments, would be the most appropriate way of awarding additional merit pay increases.

The first of the theoretical concepts inherent in Model 1 was that individuals who receive a rating of Fully Successful or higher must be appropriately rewarded for meeting all their standards. Employees who perform at the level expected should not be denied the full comparability increase especially since individuals in the same grade who remain General Schedule employees are assured of receiving that increase even if their performance is less than Fully Successful. For any system to work, it must be perceived as fair. A situation where a person who performs at the level expected receives a smaller increase than does an individual whose performance is below that level will be perceived as obviously unfair. Therefore, significant implementation and acceptability problems could be avoided by simply ensuring that all GM employees are appropriately rewarded (i.e., given a merit increase equal to one-half comparability) for meeting their standards.

Further, assuring full comparability for Fully Successful performance also reduces the tendency of supervisors to inflate their ratings. If supervisors know their employees are justly rewarded when rated at the Fully Successful level, supervisors would not feel compelled to inflate their ratings. On the other hand, if there is a possibility that employees would not get full comparability for performing at the level which was required, then supervisors would more likely inflate their ratings to ensure their employees are fairly rewarded.

The second concept of Model 1 was to ensure that the better performing individual received the higher rating. In a system where the standards are, of necessity, tailored to the individual rather than standardized across an agency, it is possible, even probable, that some individuals will have standards that are significantly more difficult than those of peer employees. When the actual rating is rendered, the individual with the more difficult standards may outperform the employee with a more lenient work plan and still get a lower rating. For example, Employee A may have a standard which states that one to three articles must be prepared for publication in a professional journal; whereas, employee B may have a standard which requires preparing four to six articles for publication. Employee A may have prepared four articles and would have exceeded the standard and could get a superior rating. Conversely, employee B may have prepared six articles for publication and would only have met the standard, hence would not be eligible for a superior rating. From this example the better performer could receive a lower rating.

To preclude the possibility that a better performing individual might receive a lower rating, the concept of board review was incorporated in Model 1. The process of evaluating management performance is a judgmental process and involves making determinations concerning the degree of accomplishment of sundry factors which apply to the individual being evaluated. It would appear to be desirable to have the GM employee evaluated by a selection board of management personnel under the general guidance of someone experienced in the techniques of merit selection and familiar with GMAS. A knowledgeable group evaluation is generally preferable to an individual's evaluation regardless of the ability of the individual rater. In a judgmental situation of this sort, the "pooled judgment" of a panel of trained individuals will typically result in a more equitable and acceptable decision than will the judgment of a single individual and may produce a more valid rating (Stumpf, Zand, & Friedman, 1979).

The use of a selection board minimizes the overemphasis on any one functional area that might result if only one or two persons (supervisor or supervisor and reviewer) were to make the decision. Using a board also minimizes both positive and negative personal bias that might influence the evaluations if only one or two persons were to make the decisions. The board ensures management participation and interest in the whole program and helps to "sell" the results.

In addition to the aforementioned considerations, a selection board is the most efficient way of normalizing the ratings that will be provided by the supervisor. Since the GM employees would be rated against a set of individualized,

predetermined standards, it would be inappropriate to simply compare ratings because standards may differ in level of difficulty and complexity among the various individuals competing for merit pay increases. The selection board would compare the GM work plans using a standard set of criteria to ascertain the relative difficulty or complexity of each work plan. Once the normalization of work plans was accomplished, it would then be appropriate to compare GM employees and reasonably distribute merit pay.

Last, a high-level selection board would be able to provide the variance (gained by rating substantiated performance against a predetermined set of criteria) necessary to make accurate distinctions between individuals even if the supervisors "game" the system by rating all their subordinates at the highest possible level. The variance provided by the board would then enable the Air Force to distribute merit pay to the most deserving individuals instead of allowing immediate supervisors to distribute the available money among their employees equally. Therefore, the merit pay distribution determined by the board would meet both the letter and intent of the law by providing increased pay based on merit. As described earlier, the board would review the work plan and description of actual accomplishments to determine a merit score. Since the board would consider the entire appraisal, the merit pay increase would be more likely based on actual performance.

To close the conceptual loop of Model 1, AFHRL needed to develop procedures and criteria by which the proposed MPRB could make merit pay decisions. Using the Air Force selection board system and the performance review board system developed for the Senior Executive Appraisal System as a basis, AFHRL developed procedures and preliminary criteria to provide an appropriate method for assessing the relative merit of each appraisal.

OPM Evaluation of Model 1

After initial development of Model 1 was completed and evaluated, the entire system was informally presented to OPM personnel. After a thorough explanation of the system, OPM representatives indicated that the system if submitted would not be considered acceptable.

Major concerns expressed by OPM included the possibility that the board could be used to change supervisory ratings or would force the distribution of ratings into predetermined categories. In addition, it was believed that employees and supervisors would try to "game" the system by setting higher standards (perhaps unrealistic ones) to influence board ratings. It was also stated that board action was not required since it should be assumed that employees at equal grade levels would write equivalent standards. Although AFHRL personnel presented their rebuttals to these major concerns, it was concluded that further development of this Model should not be continued. As a result, investigation of a number of topics was not completed. These topics include (a) determining the most appropriate level for the MPRBs (Major Command vs. Base vs. HQ USAF), (b) ascertaining the most appropriate and operationally viable criteria for use by the MPRB, and (c) identifying the most operationally acceptable functional categories. Therefore, it is important to note that while preliminary investigation of Model 1 by the AFHRL task force indicated that the system was viable, it is incomplete and would require further research and development prior to operational implementation.

IV. DESIGN AND DEVELOPMENT OF MODEL 2

Many of the concepts used in Model 1 were retained in Model 2. The most striking differences in the two models were that for Model 2 (a) the MPRB was dropped, (b) a merit pay computation table was developed to determine the award of merit pay, and (c) designated functional categories were deleted since it was no longer important that all work plans have the same format to facilitate board comparisons.

Work Plan

As in the first model, the supervisor and employee were encouraged to work together to develop a work plan based on a job analysis. The work plan was composed of an element section and a standard section. The element section of the work plan was modified to allow for line-entry elements as well as functional category elements. A line entry was a one- or two-line job element. The supervisor and employee were no longer required to fit a job into some or all of the

six functional categories used in Model 1. If functional categories were used, the entire category was an element just as a line entry was an element. However, each functional category contained at least two subelements. The work plan developer was given a choice of using line entries or functional categories or a combination of the two. The titles for functional categories were selected by the supervisor and employee to reflect the particular job tasks of the employee. Each functional category or line-entry element was assigned a relative weight. All the weights in a work plan added to 100. Similar to the determination of percentage weights for Model 1, the criteria for determining relative weights in Model 2 were importance, complexity, and time required. An additional consideration for determining relative weights in this model was the consequences of failing to perform a task (i.e., to what extent failure would be detrimental to the unit mission). All functional categories and line entries were marked as critical or noncritical. At least one element was to be marked as critical, and at least 51% of the relative weight of the job must be marked as critical.

Factors to determine criticality of job elements were not specified in Model 1. However, in Model 2, the following factors were to be considered: (a) goals of the organization, (b) importance of the work in sustaining the work of others, (c) requirements of regulations and directives, and (d) any other factor specific to the employee's job that affects performance in relation to the definition of criticality.

Job performance standards were required as in Model 1. The standards were written to define Satisfactory performance in terms that were observable, measurable, and attainable. Also required was the interim performance review as discussed in Model 1. However, the required interim performance review for Model 2 was to be conducted at the discretion of the supervisor with no time interval specified and no official (Air Force form) documentation required for the review.

Performance Ratings

A substantial change was made to the mechanics of giving a rating in Model 2. Since there were no longer six standardized functions, a new evaluation technique for elements was devised. The five rating levels suggested in Model 1 which required a rather fine discrimination in evaluation was changed so that in Model 2 each functional category or line-entry element was evaluated on a three-level scale - Did Not Meet, Met, or Exceeded. Spaces for marking these evaluations were provided in Part II, Job Performance Elements, of the appraisal form. Comments were to be required to justify all evaluations. If the employee met the requirements for a job performance element, a sufficient comment would have been "Employee met all requirements." However, if an evaluation of Exceeded or Did Not Meet was given, substantiation for the evaluation would be required. An overall rating was then to be given based on the definition of each rating as shown in Table 3. These ratings were Superior, Excellent, Fully Successful, Minimally Acceptable, and Unacceptable. Once the rating was given, the form was to be signed by the supervisor, reviewer, and employee. The employee's signature would acknowledge discussion and receipt of a copy of the appraisal; it would not indicate his/her concurrence in the ratings received. See Appendix D for a sample of the General Manager performance appraisal form designed for Model 2.

Table 3. Overall Performance Rating Scale - Models 2 and 3

Rating	Definition
Superior	A rating of Superior will be assigned when an employee exceeds the requirements of all the job performance elements of the work plan.
Excellent	A rating of Excellent will be assigned when an employee meets the requirements of all of the job performance elements of the work plan and exceeds the requirements of the job performance elements which represent at least 50 percent of the relative weight of the work plan.
Fully Successful	A rating of Fully Successful will be assigned when an employee meets the requirements of all of the performance elements of the work plan.
Minimally Acceptable	A rating of Minimally Acceptable will be assigned when an employee does not meet the requirements of one or more non-critical job performance elements of the work plan. The employee must meet the requirements for all critical job performance elements of the work plan.
Unacceptable	A rating of Unacceptable will be assigned when an employee does not meet the requirements of one or more critical job performance elements of the work plan.

Merit Pay Process

Model 1 and Model 2 both assured the employee of receiving full comparability with an overall rating of Fully Successful or higher. The first model distributed merit pay through the MPRB; whereas, the second model distributed money through merit pay share points. In addition to the full comparability pay increase, GM employees who received at least a rating of Fully Successful were to receive a merit pay increase. This increase under Model 2 was a function of the employee's current grade, overall performance rating, relative position within the salary range for grade level, and merit pay unit. A merit pay share point table (Table 4) was used to differentiate between individuals with various ratings at different levels (upper, middle, and lower) within the pay range.

Table 4. Merit Pay Share Points^a - Model 2

General Manager Grade level	Salary Level Position ^b	Performance Rating			
		Superior	Excellent	Fully Successful	Minimally Acceptable and Unacceptable
15	Upper level	2.00	1.50	1.00	0.00
15	Middle level	2.50	1.88	1.25	0.00
15	Lower level	3.00	2.25	1.50	0.00
14	Upper level	1.70	1.28	.85	0.00
14	Middle level	2.13	1.60	1.06	0.00
14	Lower level	2.55	1.91	1.28	0.00
13	Upper level	1.40	1.08	.72	0.00
13	Middle level	1.80	1.35	.90	0.00
13	Lower level	2.16	1.62	1.08	0.00

^aMagnitude of merit pay share points for various grade levels is based on relative differences in pay between grade levels.

^bUpper level based on GS equivalent steps 8, 9, and 10; middle level based on GS equivalent steps 4, 5, 6, and 7; lower level based on GS equivalent steps 1, 2, and 3.

Based on OPM guidance, the merit pay share point table was constructed so that an employee at the lower level of a grade could accelerate much faster than an employee at the higher level of the grade. This procedure would minimize differences in pay based on longevity with the result that parity of salary of equally rated employees could be reached more quickly under this system than was possible under the step-increase system.

A proportional share of the Merit Pay Fund based on the number and grade level of GM employees in the Merit Pay Unit would be allocated to the Merit Pay Unit for distribution to eligible GM employees. Merit pay was to be awarded in two increments to all GMs who were rated Fully Successful or higher. Since GM employees are guaranteed only one-half of the designated comparability increase each year, the first merit pay increment would have awarded an amount equal to the second half of comparability. By this method, all employees who fulfilled all requirements imposed by their supervisors would be guaranteed to receive at least full comparability. The remaining funds would then go to the Merit Pay Share Fund. In the second increment, the Merit Pay Share Fund would then be apportioned among eligible GM employees based on computations using the share point table developed by OPM. An example of the merit pay computation process is shown in Appendix E. The example uses the 1981 salary table and assumes a 9.1% comparability pay increase.

No less than 95% nor more than 105% of the available merit pay funds was to be expended each fiscal year. In addition, GM employees would not have received merit pay increases that would allow them to exceed the maximum salary limitation for their grade level. If a GM employee was designated to receive more than the salary limitation, the money in excess of the limitation would have been returned to the merit pay share fund to be redistributed among eligible employees. This process was to be repeated, if necessary, until all available merit pay share funds were disbursed. However, if money was designated for a GM employee that exceeded the executive pay cap, the money in excess of the pay cap would have been returned to the Department of the Treasury.

The appropriate number of employees to comprise a Merit Pay Unit was a question that had to be addressed. To determine the minimum number of employees required to furnish stable results, a series of computer simulations was accomplished using varying numbers of employees. The basis for comparison was a fictitious Merit Pay Unit containing 1,000 employees. A Merit Pay Unit of this size would provide the needed stability. One thousand ratings were simulated, and the dollar amounts of merit pay were computed for the Merit Pay Unit. Simulations were also run on sample sizes of 250, 100, 75, 65, 55, 50, 45, 40, 35, 30, 25, 20, and 10. The number of dollars awarded to each rating in each grade was computed for every sample. The differences in dollars were plotted for every subsample versus the total sample of 1,000. For sample sizes of 15 or less, five different subsamples of each size were simulated in case one of the smaller

samples might be particularly deviant. Results from these simulations indicated that dollars distributed for given grades and ratings continued to be stable when the sample size was reduced to 35. However, at 30 and below, sharp increases in dollar differences began to occur. The smaller sample size accentuated the differences that might occur as a function of the makeup of the sample (i.e., number and grade level of employees in sample) and the distribution of the ratings (e.g., all having similar ratings or only low and very high ratings).

AFHRL Evaluation of Model 2

Although Model 2 did not incorporate the use of boards to review all candidates eligible for merit pay, some of the other concepts from Model 1 were retained. First, all employees rated Fully Successful or higher should receive, as a minimum, the second half of comparability as a merit pay increase, resulting in a full comparability increase. Second, the remaining money from the merit pay fund would be distributed to individuals with ratings of Fully Successful or higher using the share point table developed by OPM for their merit pay system.

OPM Evaluation of Model 2

While no objection was voiced against using the OPM share point table, Model 2 was not considered acceptable since a merit pay increase equal to the other half of comparability (i.e., providing a full comparability increase) was guaranteed for all GM employees receiving a rating of Fully Successful or higher.

Based on this unofficial evaluation by OPM, further development on Model 2 was discontinued and AFHRL efforts were directed toward the development of Model 3.

V. DESIGN AND DEVELOPMENT OF MODEL 3

Model 3 is the final model proposed for operational implementation of merit pay. This model approximated, as closely as possible, the merit pay system developed by OPM. The structure of the work plan and the performance rating did not change from Model 2 to Model 3. The elements are evaluated the same way, and the five possible overall ratings are the same (See Table 3).

In the initial phases of development of the merit pay process for Model 3, the AFHRL research team conducted numerous computer simulations to develop an appropriate merit pay share point table for the Air Force. Three tables were considered and discussed with OPM and the AF personnel community prior to final submission for approval.

Discussions with the representatives of OPM indicated that some type of acceleration factor was essential, i.e., employees at lower pay levels should increase their salaries at a faster rate than higher salaried employees who receive equal performance ratings. Therefore, the first table designed by AFHRL for Model 3 (a) incorporated an acceleration factor that was less extreme than the one used by OPM, (b) ensured that the majority of individuals receiving a Fully Successful rating would receive a merit pay increase equal to at least one-half of comparability, and (c) provided for a merit pay increase differential between an employee with a Fully Successful rating and one with a Superior rating of an amount equal to approximately one within grade increase. The proposed share point table is presented in Appendix F.

Although official guidance from OPM did not delineate the criteria for the development of an acceptable merit pay share point table, further discussion with OPM personnel indicated that the ratio between a Superior rating and a Fully Successful rating should more closely approximate 2 to 1.

Special attention was focused on the development of an acceptable merit pay share point table since both the AFHRL research team and the Air Force personnel community believed that it was extremely important that Fully Successful employees be fairly rewarded.

The second table developed by AFHRL (Appendix G) deleted the acceleration factor. This was seen as an improvement because everyone in a specific grade would get the same merit pay increase for the same rating. Deleting

the acceleration factor also avoided the "crossover" problem. The "crossover" problem occurs when individuals with lower ratings end up with a higher overall pay than those with higher ratings because of the acceleration factor.

However, the desired ratio between a rating of Superior and Fully Successful was not achieved. To meet this requirement, the final table considered was one previously developed by the National Aeronautics and Space Administration (NASA) which deleted the acceleration factor as did the previously developed AFHRL table and achieved an acceptable ratio of 1.9 to 1 (Table 5). this ratio was considered acceptable to both the AF personnel community and OPM.

Table 5. Merit Pay Share Points - Model 3

General Manager Grade level	Performance Rating			
	Superior	Excellent	Fully Successful	Minimally Acceptable and Unacceptable
15	1.90	1.45	1.00	0.00
14	1.61	1.23	.85	0.00
13	1.36	1.04	.72	0.00

The merit pay process changes from Model 2 to Model 3 focused on the awarding of the second half of comparability. Model 2 assured every GM who was rated Fully Successful or higher of receiving the second half of comparability directly from the merit pay fund. Under Model 3, no one is assured of getting full comparability. Merit pay is awarded from the share fund which includes the money previously allotted for within grade step increases, quality step increases, and the second half of comparability for all GM employees.

The merit pay share point table used in the calculation of the merit pay share value to be assigned to each employee was also changed as discussed previously. Where there were three levels of share points assigned within each grade in Model 2 (upper, middle, lower), only one level for each grade was used for the new pay share point table for Model 3. All employees receiving the same rating in the same grade will receive the same merit pay increase. However, the percentage increase in relation to total salary will be greater for those in lower levels.

The merit pay share points for Model 3 are also more compressed than in Model 2. This means that the difference in merit increases among the three overall ratings for grade level are smaller for Model 3 than for Model 2. The computational process for a merit pay increase is identical to Model 2 (Appendix E) since the change in the share point table to only one level required no change in methodology. Therefore, the final new pay share table (Table 5) implemented by the Air Force (a) has no acceleration factor, based on pay levels, (b) does not guarantee a merit pay increase equal to the other one-half comparability for GM employees with a rating of Fully Successful or higher, and (c) has a ratio of 1.9 to 1 for the difference between Superior and Fully Successful ratings.

VI. GENERAL MANAGER AND MERIT PAY APPRAISAL SYSTEM TRAINING

Four major requirements were identified in the development of the GMAS and the Merit Pay System training program. First, it was imperative that a sufficient body of knowledge be provided to the GM employees and their supervisors so that they could relate the GMAS and the Merit Pay System to the requirements of the CSRA of 1978. Second, supervisors had to be trained in how to develop work plans for their GM employees. Third, it was necessary to ensure that supervisors had the skills and knowledge required to render fair and unbiased performance appraisals. Last, all GM employees affected by GMAS and the Merit Pay System should have as much information as did their supervisors concerning the two systems, especially in the development and writing of individual work plans.

Although several approaches to the training were considered (e.g., lecture, self-paced, programmed text, cassette audio-visual), it was decided that informal lecture (supported by visual aids) and a workshop would provide the best method of instruction. Compared to a self-paced curriculum, this method would provide students with an opportunity to interact with their instructors.

In October 1979, AFHRL developed a 4-hour training package. The major objective of this training package was to test the ability of a sample of potential GM employees to write a work plan in conformance with the specifications of Model 1. The primary purpose of this training package was not to test the adequacy of the training package, nevertheless this exercise did provide information which was used in the development of the actual training package. The 4-hour course was designed to provide a general overview of Model 1, highlights of the CSRA, and instruction in the determination and writing of job performance elements and performance standards. In addition to oral instruction supported by overhead viewgraphs, a limited amount of student participation (i.e., example exercises) was required. The prototype training was provided to nine GS-13 employees (all but one was later designated as a GM). Following the training, these individuals were required to develop work plans without further formal instruction. The training was successful in enabling the participants to complete usable work plans for their own jobs. Although it was realized that the participants, all potential GM employees at AFHRL, might not be representative of the GM population, results of this training session were useful in further refinement of the final training package.

The initial 4-hour training package was revised to last a full day to permit additional in-class exercises and also to expand the content of the instructions. A limited amount of time was also provided for employees to start developing their own work plans. A test and evaluation of the proposed 1-day training package was conducted with prospective GM employees from the Office of Civilian Personnel Operations in February 1980. This field test brought to light several inadequacies in the training (e.g., the need for a formalized workbook, insufficient overhead viewgraphs, and insufficient rater training information), which were then incorporated into the training package.

With the development of GMAS and the Merit Pay System Model 2, it was necessary to revamp the training program to agree with the revised systems. Since the basic concept of a work plan consisting of job performance elements and performance standards had not changed, a field test of the appraisal system using the 1-day training program was scheduled for the week of 21 through 25 April 1980 at Eglin AFB, Florida, and at Wright-Patterson AFB, Ohio. A training run-through with field instructors was held on 15 April 1980, with a follow-up briefing and evaluation the next day.

The field test of the training program at the two bases produced some very worthwhile suggestions for further improvement of the training program. Among the suggestions were the following: (a) expand training to a 2-day course to ensure completion of draft work plans in class, (b) expand the training to include greater emphasis on supervisor rating techniques and causes of rater error, (c) include more relevant job performance elements and standards examples, (d) include actual field-generated job performance elements and standards, and (e) include a unit on appeals and grievances. In addition, the format of the instructors manual was changed. The new format utilized a two-column page with narrative on the right side and instructor notes and reduced viewgraph copies on the left side. A minor change of dividing the total course material into instructional units was also instituted. An excerpt from the instructors manual is found in Appendix H.

The final training package was delivered to the Office of Civilian Personnel Operations on 17 June 1980. Multiple copies of the training material were then reproduced by that organization in preparation for field instructor training and actual training of GMs. The field instructor training was presented during the week of 7 through 11 July 1980 at Hickam AFB, Hawaii; Langley AFB, Virginia; McClellan AFB, California; Ramstein AB, Germany; Randolph AFB, Texas; and Wright-Patterson AFB, Ohio.

On 15 July 1980, actual operational training of GMs and their supervisors commenced at Wright-Patterson AFB, Ohio. Since the final approval for the proposed shares table of Model 3 had not yet been obtained from OPM, that portion of the training related to the merit pay shares was not totally accurate. This discrepancy posed no great problem with the initial training of GMs in the development of work plans and an explanation of the overall systems. Changes in the merit pay system would not affect the performance appraisal system. When OPM approved the Merit Pay System (Model 3) using a merit pay share point spread of 1:1.9 (from Fully Successful to Superior performance), the change resulted in only minor modification to the training package to reflect the revised share points.

VII. SUMMARY AND RECOMMENDATIONS

Three iterations or models of a merit pay system and an associated performance appraisal system were developed, with the last model receiving OPM approval in September 1980 (see Table 6 for a comparison of the three models). Model 1 standardized functional categories in the work plan and used a 5-point rating scale. Merit pay would have been

Table 6. Comparison of Merit Pay Models

Model Components	Merit Pay Models		
	1	2	3
Work Plan Development	Job Analysis required	Job Analysis required	Same as Model 2
	Six defined Functional Categories	Indeterminate number of Functional Categories or Line-Entry Elements	
	A percentage weight for each category totaling 100%	Relative importance points totaling 100 distributed among Functional Categories or Line Entry Elements	
	One Functional Category must be designated as Critical	One Functional Category or Line Entry Element designated as Critical with 51% of the Work Plan designated as Critical	
	At least one Job Performance Standard for each Functional Category	At least one Job Performance Standard for each Functional Category or Line Entry Element	
Performance Ratings	Interim Performance Reviews required at 120 and 240 days into the appraisal period with results recorded on an official Air Force form	No designated time periods for Interim Performance Reviews, but required to be held periodically at the discretion of the supervisor: No official Air Force form used to record results.	
	Five Levels of Functional Category evaluations.	Three Levels of Functional Category or Line Entry Element evaluations.	Same as Model 2
	- Superior	- Exceeded	
	- Exceptional	- Met	
	- Fully Successful	- Did Not Meet	
	- Marginally Acceptable		
	- Unacceptable		
	Five Levels of Overall Performance Ratings	Five Levels of Overall Performance Ratings	
	- Superior	- Superior	
	- Exceptional	- Excellent	
	- Fully Successful	- Fully Successful	
	- Acceptable	- Minimally Acceptable	
	- Unacceptable	- Unacceptable	

Table 6. (Continued)

Model Components	Merit Pay Models		
	1	2	3
Substantiation of Performance Evaluation	Written narrative substantiation required for Superior or Unacceptable Functional Category evaluation	Written narrative substantiation required for Exceeded or Did Not Meet Functional Category or Line Entry Element evaluation. Comment required that all requirements were met, if Met was the evaluation.	Same as Model 2
Merit Pay Process	An Overall Rating of Fully Successful or higher is required to be awarded for a Merit Pay increase.	An Overall Rating of Fully Successful or higher entitles employee to a Merit Pay award	An Overall Rating of Fully Successful or higher entitles employee to a Merit Pay award
	Supervisor's recommendation for award of Merit Pay required	No supervisory recommendation required	No supervisory recommendation required
	Merit Pay Review Board ranks GM appraisals	Merit pay share points assigned according to overall performance rating received. Share points based on grade and level within grade.	Merit pay share points assigned according to overall performance rating received. Share points based on grade only.
	Minimum of full comparability assured for all GM employees.	Minimum of full comparability assured for all GM employees	Full comparability not assured for any GM employee
	Merit Pay amount based on rank order. A percentage of the midpoint of the salary range of the employee in the upper, middle, or lower segment of the rank order listing.	Additional Merit Pay awarded according to number of share points.	Merit Pay awarded according to number of share points.

awarded by a selection board and would have ensured each GM of receiving at least full comparability for fully successful performance. Model 2 dropped the use of a selection board, made the use of functional categories optional, and used a 5-point scale where the rating was based on intermediate job element evaluations. This model also ensured full comparability for fully successful employees. The remaining merit pay was distributed using a share point table. The table was structured to provide three levels of share points for each grade. Model 3 differed from Model 2 in that the three levels of merit pay share point values were reduced to one level for each grade and full comparability was no longer assured.

The Civil Service Reform Act specified that each agency was to develop one or more performance appraisal systems. Since the law did not require a single system to be developed by a designated agency, it may be inferred that Congress was allowing for, and in fact encouraging, diversity. However, the response of OPM to the systems developed by AFHRL appeared to indicate a desire for standardization of Federal systems rather than diversity, although no official guidance to that effect was received by AFHRL.

To ensure the effectiveness of the operational system, the Office of the Directorate of Civilian Personnel must ensure that the GM employees, their supervisors, and their reviewers are aware of the ramifications of "gaming" the system by inflating the ratings. The only way to truly reward the best performer is to give accurate appraisals. Therefore, a pamphlet or set of pamphlets should be developed to explain the relationship between ratings and merit pay and the need for accurate GMAS ratings and to list the responsibilities of the employee, the supervisor, the reviewer, and the Merit Pay Unit Official.

The GMAS is the single most important component in determining an individual's merit pay increase. Therefore, it is imperative that a concerted effort be made to ensure that the system maintain its usefulness, credibility, and viability. To maximize the probability of maintaining an effective system, the following recommendations are provided:

1. Revise the form to allow the employee an opportunity to comment on the appraisal.
2. Ensure that all Merit Pay Unit Officials are aware of their duties and responsibilities.
3. Ensure that all new GM employees, supervisors of GMs, and reviewers receive current training.
4. Ensure that the training is updated to reflect the current system.
5. Ensure that a continuing public relations program designed to enumerate the benefits of the system is implemented.
6. Ensure that a comprehensive evaluation and analysis plan is developed and implemented.
7. Ensure that changes to GMAS are appropriate and implemented in a timely manner.
8. Provide for refresher training, especially in the area of rater errors just prior to the end of each rating cycle.
9. Elicit support, in writing, for the GMAS and Merit Pay System from the Major Command Commanders.
10. Ensure that a system is developed to track the work plan to make certain of its timely completion.
11. Continue research and development of an alternate approach to the merit pay process that uses merit pay selection boards to award merit pay increases.

The key to a successful Merit Pay System is the MPUO. It is extremely important that this official be made aware of the responsibilities inherent in the position. If the MPUO does not enforce the requirement for accurate, noninflated ratings or does not ensure timely and appropriate work plans, the system will fail. Support at all levels, from the Secretary of the Air Force down, is necessary to enable the MPUO to successfully accomplish this task.

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APPENDIX A: DEVELOPMENT OF FUNCTIONAL CATEGORIES

A list of 25 functions (Table A-1) developed from managerial supervisory job descriptions was sent to 228 civilians in General Schedule grades GS-13 to GS-15 representing 58 job series. The recipients of the function lists were instructed to rank the 10 most pertinent functions according to their importance to the job. They were told that importance could conceivably be based on time spent in performing the function, frequency of performance of the function, complexity of the function, and experience required to perform the function. Rank values were converted to reverse score values (rank 1 = 10; rank 10 = 1) and a total score computed for each function. The functions were then ranked based on total score. Table A-1 shows all 25 functions, their rankings and sources.

The two functions of inspecting and modifying received such low scores that they were discounted as possible functional categories for inclusion in the appraisal rating system. Key synonyms for each of the remaining functions were identified, and after eliminating as much overlap as possible, five functions were selected from the ranked list. In addition, a functional category of Technical Applications was included in the final list of categories to cover job elements that were essentially nonsupervisory or nonmanagerial in nature but represented a significant portion of the employee's job.

Table A-1. Rankings of 25 Original Functions

Function	Rank	Source
Planning	1	DOT
Managing	2	DOT
Communicating	3	Morsh & Archer, 1967
Supervising	4	DOT
Organizing	5	DOT
Reviewing	6	DOT
Coordinating	7	DOT
Analyzing	8	DOT
Evaluating	9	DOT
Administering	10	DOT
Developing	11	DOT
Directing	12	DOT
Controlling	13	DOT
Implementing	14	DOT
Training	15	DOT
Performing	16	Cragun & McCormick, 1967
Interpreting	17	DOT
Budgeting	18.5	DOT
Establishing	18.5	DOT
Negotiating	20	DOT
Executing	21	DOT
Monitoring	22	Morsh & Archer, 1967
Conducting	23	DOT
Inspecting	24	Morsh & Archer, 1967
Modifying	25	DOT

APPENDIX B: MODEL 1 APPRAISAL FORM

**GENERAL MANAGER/GENERAL SCHEDULE EMPLOYEE APPRAISAL FORM
AND
MERIT PAY RECOMMENDATION**

SECTION I: PERSONAL IDENTIFICATION			
A. Employee (Last name, first name, MI)	SSAN	Grade	Job Series
Duty Title	Organization		
B. Rating Official (Last name, first name, MI)	SSAN	Grade/ Rank	DAFSC/ Job Series
Duty Title	Organization		
C. Reviewing Official (Last name, first name, MI)	SSAN	Grade/ Rank	DAFSC/ Job Series
Duty Title	Organization		
SECTION II: REPORT INFORMATION			
Reason for report:	Period of report: From to		
Category of Position: <input type="checkbox"/> General Manager <input type="checkbox"/> Non-General Manager			
Employees directly supervised:			
<input type="checkbox"/> None Civilian [] military [] Total = []			
SECTION III: WORK PLAN REVIEWS (Strike out inapplicable words or phrases)			
A. Employee Comments: I (did) (did not) participate in the development of the job elements and standards and I (concur) (do not concur) in the contents of this work plan. ADDITIONAL COMMENTS:			
_____ Employee Signature & Date			
B. Rating Official Comments: I established the job elements and standards (with employee participation) (without employee participation) and have identified those functions that I consider to be critical for the position. The functions, job elements, and job standards have been fully discussed with the employee and the employee has been given a copy of the functions, job elements, and job standards. ADDITIONAL COMMENTS:			
_____ Rating Official Signature & Date			
C. Reviewing Official Comments: I concur in this work plan and believe the job elements reflect actual job performance expected of the employee and that the established standards are realistic. ADDITIONAL COMMENTS:			
_____ Reviewing Official Signature & Date			

SECTION IV: FUNCTIONS AND ELEMENTS

FUNCTION 1: Administration

% of Job

☐

Critical

☐

Non-critical

FUNCTION 2: Communication

% of Job

☐

Critical

☐

Non-critical

FUNCTION 3: Evaluation

% of Job

☐

Critical

☐

Non-critical

FUNCTION 4: Planning

% of Job

☐

Critical

☐

Non-critical

FUNCTION 5: Reviewing

% of Job

☐

Critical

☐

Non-critical

FUNCTION 6: Technical Applications

% of Job

☐

Critical

☐

Non-critical

SECTION V: PERFORMANCE STANDARDS

Performance in Administration is fully successful when:

☐

Performance in Communication is fully successful when:

☐

Performance in Evaluation is fully successful when:

☐

Performance in Planning is fully successful when:

☐

Performance in Reviewing is fully successful when:

☐

Performance in Technical Applications is fully successful when:

☐

SECTION VI: PERFORMANCE APPRAISAL AND MERIT PAY RECOMMENDATION

A. Function Ratings: Enter a performance rating or NP (not performed) for each function. (U = unacceptable; M = Marginally acceptable; FS = fully successful; E = exceptional; S = superior)

FUNCTION 1 []
FUNCTION 2 []

FUNCTION 3 []
FUNCTION 4 []

FUNCTION 5 []
FUNCTION 6 []

B. OVERALL Performance Rating: Check the rating which most accurately describes employee's overall job performance:

☐ Unacceptable ☐ Acceptable ☐ Fully Successful ☐ Exceptional ☐ Superior

C. Merit Pay Recommendation (Check ONE box only)

☐ Recommended ☐ Not Recommended ☐ Not Applicable

(Use this space to extend, elaborate on, or justify any function rating for which you feel comment is required. Identify your comments by function number. Enter specific justification for an overall rating of unacceptable or superior. Confine your remarks to this space.)

SECTION VII: APPRAISAL COMMENTS

A. Rating Official: I have rated this employee to the best of my ability and believe the ratings rendered to be a true and unbiased indication of performance. ADDITIONAL COMMENTS:

Rating Official Signature and Date

B. Reviewing Official: ☐ I concur. I have reviewed this appraisal and believe the ratings to be fair and unbiased. ADDITIONAL COMMENTS:
☐ I do not concur in this appraisal for the following reason(s):

Reviewing Official Signature and Date

C. Employee: The rating official discussed this appraisal with me and I received a complete copy of this report. ADDITIONAL COMMENTS:

Employee Signature and Date

APPENDIX C: IN-HOUSE MERIT PAY REVIEW BOARD

To ensure that the MPRB could perform the function for which it was designed, a review board of three people was assembled at AFHRL to evaluate appraisals from a sample of nine GM employees. The board was made up of management level representatives including two civilians (one male and one female) and a high ranking military representative (male). The review board rankings of the nine GMs were compared to independent rankings made by two branch chiefs who were familiar with the performance of all nine individuals. The board rankings were also correlated with composite rankings made by AFHRL executives who were familiar with requirements of the Laboratory and the relative contributions of the individuals. The review board's ranking was made with no knowledge of the identity of the individuals in the sample. The rankings of both the branch chiefs and of the executives were based on personal knowledge.

Using the Spearman rank difference correlation, the board's rank differences correlated .78 with branch chief 1 and .75 with branch chief 2. The board's rank differences also correlated .83 with the management representatives. All correlations were significant at $p < .05$. Interrater agreement was very high, with the three board members correlating .89 on the rankings. This initial step at validating the board procedure indicated that it was a feasible method to be used in merit pay decisions.

APPENDIX D: MODEL 2 APPRAISAL FORM

GENERAL MANAGER PERFORMANCE APPRAISAL

PART I - INFORMATION

EMPLOYEE (Last name, first name, middle initial)		SSAN	GRADE	JOB SERIES
POSITION TITLE		ORGANIZATION	OFFICE SYMBOL	
REASON FOR APPRAISAL <input type="checkbox"/> CHG OF SUPERVISOR <input type="checkbox"/> CHG OF POSITION <input type="checkbox"/> ANNUAL <input type="checkbox"/> OTHER (Specify)		PERIOD OF APPRAISAL FROM TO		
MERIT PAY UNIT IDENTIFICATION (AS SPECIFIED BY APR 40-540)				
NUMBER OF PERSONNEL THIS EMPLOYEE DIRECTLY SUPERVISES:		MILITARY ()	CIVILIAN ()	

As indicated in 5 USC 4302 (The Civil Service Reform Act of 1978 - CSRA), the supervisor should encourage the employee to participate in the determination of the job performance elements to be entered in part II and the performance standards entered in part III. Job performance elements must reflect the actual work to be performed and the standards must be written at a level which reflects satisfactory performance.

Job performance elements may be written using either the line entry method or the functional category method. The line entry method requires that an element be written as a one or two-line phrase. The functional category method may be used when a number of subelements can be clustered under a heading such as administration, communication, directing, evaluating, planning, etc. Some sources for determining logical functional categories are: classification standards, Supervisory Grade Evaluation Guide, job analysis reports and other documents used in work measurement, and qualification guides. If functional categories are used, the subelements may be recorded using either a paragraph or listing format.

Where applicable, work plans must reflect job performance elements that address personnel management responsibilities, such as completing work plans for subordinates and meeting EEO affirmative action goals.

Performance standards are written to reflect a requirement for a satisfactory level of accomplishment. At least one performance standard must be written for each job performance element or subelement regardless of the method used to define the element.

A relative weight of importance (percentage of total job) must be specified for each job performance element. The total percentage must equal 100%. A majority of the job performance elements in terms of relative weight (at least 51%) must be identified as critical elements.

The supervisor will rate each performance element (functional category or line entry) by checking the appropriate block; did not meet, met, or exceeded.

Use plain bond paper to record changes or additions to job performance elements or standards if space is not available on the appraisal form.

OVERALL RATING SCALE

SUPERIOR: Employee exceeds the requirements of all of the elements of the work plan.

EXCELLENT: Employee meets the requirements of all of the elements of the work plan and exceeds the requirements for elements which represent at least 50 percent of the relative weight of the work plan.

FULLY SUCCESSFUL: Employee meets the requirements of all of the elements of the work plan.

MINIMALLY ACCEPTABLE: Employee does not meet the requirements of one or more non-critical elements of the work plan, but meets the requirements for all critical elements.

UNACCEPTABLE: Employee does not meet the requirements of one or more critical elements of the work plan.

SUPERVISOR (Rating Official)

The job performance elements and performance standards developed in this work plan are a result of a job analysis using all available source material including a thorough review of the current position description and any oral or written input from the employee.

DATE	NAME, GRADE, DUTY TITLE	SIGNATURE
------	-------------------------	-----------

REVIEWING OFFICIAL

DATE	NAME, GRADE, DUTY TITLE	SIGNATURE
------	-------------------------	-----------

EMPLOYEE

COPY RECEIVED. SIGNATURE DOES NOT INDICATE EMPLOYEE AGREEMENT OR DISAGREEMENT WITH THE WORK PLAN.

DATE	EMPLOYEE SIGNATURE
------	--------------------

[illegible]

PART III - PERFORMANCE STANDARDS

(NUMBER EACH PERFORMANCE STANDARD TO CORRESPOND WITH THE JOB PERFORMANCE ELEMENT IN PART II.)

PART IV - SUBSTANTIATION AND OVERALL PERFORMANCE RATING

SUBSTANTIATION: COMMENTS ARE REQUIRED ON ALL JOB PERFORMANCE ELEMENTS (JPES). REFER TO JPE BY NUMBER; E.G., JPE 4. A NARRATIVE DESCRIPTION OF THE GENERAL MANAGER'S PERFORMANCE ON THOSE ELEMENTS CHECKED "EXCEEDED" AND "DID NOT MEET" IN PART II IS REQUIRED TO SUBSTANTIATE SUCH FINDINGS. THE COMMENT, "EMPLOYEE MET ALL REQUIREMENTS", IS SUFFICIENT WHEN "MET" IS CHECKED FOR ALL JPES.

OVERALL PERFORMANCE RATING

THE OVERALL PERFORMANCE RATING (as described in the rating scale in Part II) IS BASED UPON THE EMPLOYEE'S PERFORMANCE IN MEETING THE REQUIREMENTS OF THE JPES.

☐ SUPERIOR ☐ EXCELLENT ☐ FULLY SUCCESSFUL ☐ MINIMALLY ACCEPTABLE ☐ UNACCEPTABLE

SUPERVISOR (Rating Official) SIGNATURE

DATE

REVIEWING OFFICIAL SIGNATURE

DATE

RECEIPT ACKNOWLEDGED. SIGNATURE DOES NOT INDICATE EMPLOYEE AGREEMENT OR DISAGREEMENT.

EMPLOYEE SIGNATURE

DATE

APPENDIX E: MODEL 2 MERIT PAY, COMPUTATION PROCESS

Table E-1 shows a distribution of a hypothetical merit pay unit with 35 members.

Table E-1. Hypothetical Merit Pay Unit Distribution

Grade	Level	Superior	Excellent	Fully Successful	Minimally Acceptable	Unacceptable
15	Upper	1	2	1	0	0
	Middle	0	0	0	0	0
	Lower	0	1	1	0	0
14	Upper	0	1	4	0	0
	Middle	1	0	3	1	0
	Lower	1	0	1	0	0
13	Upper	1	0	4	0	0
	Middle	1	2	3	0	0
	Lower	0	2	4	0	0
Sub-Totals		5	8	21	1	0
Total = 35						

The merit pay share points (see Table 4 in text) are determined for each rating and multiplied by the number of employees receiving each rating, as shown in Table E-2. The total of these points is used in determining the share value for a merit pay unit.

Table E-2. Determining Merit Pay Share Points

Grade	Level	Rating	N (X)	Share Points	Total Share Points
15	Upper	Sup	1	2.00	2.00
15	Upper	Exc	2	1.50	3.00
15	Lower	Exc	1	2.25	2.25
15	Upper	FS	1	1.00	1.00
15	Lower	FS	1	1.50	1.50
14	Middle	Sup	1	2.13	2.13
14	Lower	Sup	1	2.55	2.55
14	Upper	Exc	1	1.28	1.28
14	Upper	FS	4	.85	3.40
14	Middle	FS	3	1.06	3.18
14	Middle	MinAcc	1	0	0
14	Lower	FS	1	1.28	1.28
13	Upper	Sup	1	1.40	1.40
13	Middle	Sup	1	1.80	1.80
13	Middle	Exc	2	1.35	2.70
13	Lower	Exc	2	1.62	3.24
13	Upper	FS	4	.72	2.88
13	Middle	FS	3	.90	2.70
13	Lower	FS	4	1.08	4.32
Totals			35		42.61

The share points 42.61 are divided into the amount of money in the merit pay unit fund (assumed to be \$34,354 in our example) to compute the merit pay share value.

Formula: Share Value = $\frac{\text{Merit Pay Unit Share Pool}}{\text{Total Share Points}}$

Example: Merit Pay Unit Share Pool = \$34,354
Total Share Points = 42.61

Share Value = $\frac{\$34,354}{42.61}$

Share Value = \$806

The amount of the merit pay share is multiplied by the merit pay share points for each employee to determine the portion of the merit pay share fund each employee receives.

Example: Grade: GM-13

Salary Position: Middle of the Range (\$36,320)

Overall Rating: Excellent

Share Points: 1.35

MPU Share Value: \$806

Merit Pay Share Increase = Share Points X

MPU Share Value (1.35 X \$806) = \$1,088

The merit pay share increase (\$1,088) is added to the comparability pay to obtain the final amount to be awarded to the employee. The following example computes an employee's total increase that accrued using an estimated 9.1 percent comparability increase.

		Percentage Increase	
GM-13 (Middle of Salary Range)	=\$36,320		--
First 1/2 Comparability	=\$ 1,653	4.5%	
Merit Pay (Second 1/2 Comparability)	=\$ 1,653	4.5%	
MPU Merit Pay Share Increase	=\$ 1,088	3%	
Total Merit Pay Increase	=\$ 2,741	7.5%	(\$1,088 + \$ 1,653)
Total Pay Increase	=\$ 4,394	12%	(\$2,741 + \$ 1,653)
New Salary	=\$40,714		(\$4,394 + \$36,320)

APPENDIX F: MERIT PAY SHARE POINTS WITH ACCELERATION FACTOR

Table F-1. Merit Pay Share Points^a with Acceleration Factor

General Manager Grade level	Salary Level Position ^b	Performance Rating			
		Superior	Excellent	Fully Successful	Minimally Acceptable and Unacceptable
15	Upper level	1.62	1.31	1.00	0.00
15	Middle level	1.70	1.38	1.05	0.00
15	Lower level	1.78	1.44	1.10	0.00
14	Upper level	1.38	1.11	.85	0.00
14	Middle level	1.45	1.17	.89	0.00
14	Lower level	1.51	1.22	.94	0.00
13	Upper level	1.17	.94	.72	0.00
13	Middle level	1.22	.99	.76	0.00
13	Lower level	1.28	1.04	.79	0.00

^aMagnitude of merit pay share points for various grade levels is based on relative differences in pay between grade levels.

^bUpper level based on GS equivalent steps 8, 9, and 10; middle level based on GS equivalent steps 4, 5, 6, and 7; lower level based on GS equivalent steps 1, 2, and 3.

APPENDIX C: MERIT PAY SHARE POINTS WITHOUT ACCELERATION FACTOR

Table G-1. Merit Pay Share Points without Acceleration Factor

General Manager Grade level	Performance Rating			
	Superior	Excellent	Fully Successful	Minimally Acceptable and Unacceptable
15	1.81	1.40	1.00	0.00
14	1.54	1.19	.85	0.00
13	1.30	1.00	.72	0.00

APPENDIX H: EXCERPT FROM INSTRUCTORS MANUAL

SUBJECT: General Manager Performance Appraisal Form

OBJECTIVE: To identify the four parts of the General Manager Performance Appraisal Form

METHOD: Lecture and demonstration of form

TIME: 20 minutes

HANDOUT: Workbook

VISUAL AIDS: Viewgraph 39 through 44

Unit III - General Manager Performance Appraisal Form

20 Minutes

INSTRUCTOR NOTE:

Viewgraph 39



UNIT III

GENERAL MANAGER PERFORMANCE APPRAISAL FORM

INSTRUCTOR NOTE:

Viewgraph 40

UNIT III GENERAL MANAGER PERFORMANCE APPRAISAL FORM

PART I: INFORMATION

- EMPLOYEE IDENTIFICATION
- REPORT INFORMATION
- REASON FOR APPRAISAL
 - ANNUAL
 - CHANGE IN SUPERVISOR
 - CHANGE IN POSITION
 - OTHER
- MERIT PAY UNIT

PARAPHRASE: (39)

We are now starting a new unit. We will be discussing the General Manager Performance Appraisal form.

PARAPHRASE: (40)

Let's look at the performance appraisal form you will be using. Turn to page 7 in your workbook.

The appraisal form consists of four parts. Part I is the information section of the form and is essentially self-explanatory.

